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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20543

May 12, 2004

Marcus Vaden, Treasurer  
Democratic Party Of Arkansas  
1300 West Capitol Avenue  
Little Rock, AR 72201

**Response Due Date:**  
**June 11, 2004**

Identification Number: C00024372

Reference: April Quarterly Report (1/1/04 - 3/31/04)

Dear Mr. Vaden:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. This notice requests information essential to full public disclosure of your federal election campaign finances. **An adequate response must be received at the Commission by the response date noted above.** An itemization of the information needed follows:

-Schedule H4 supporting Line 21(a) of your report discloses a payment(s) for "dental insurance," "insurance," "insurance for notary," "payroll taxes," "payroll taxes-house," "payroll taxes - pmt," "workman's comp insurance." Please be advised that pursuant to 11 CFR §300.33(c)(2), salaries and wages for employees who spend more than 25% of their compensated time in a given month on Federal election activity or activities in connection with a Federal election must not be allocated between or among federal and non-federal accounts. Rather, only federal funds may be used. Further, the Commission concluded in Advisory Opinion 2003-11 that amounts spent for employee-specific "fringe benefits," consisting of health insurance, disability insurance, life insurance, retirement benefits and payroll taxes, fall into the category of compensated time.

Any reimbursement from your committee's non-federal account for this payment is not permissible and must be returned. Although the Commission may take further legal action regarding this improper allocation activity, your prompt action will be taken into consideration.

-Schedule H4 supporting Line 21(a) of your report discloses a payment(s) for "yellow page ad."

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Please be advised that pursuant to 11 CFR §300.33(c)(1), expenditures for public communications (as defined by 11 CFR §100.26) that refer to a clearly identified candidate for Federal office and that promote, support, attack or oppose any such candidate for Federal office must not be allocated between or among federal and non-federal accounts. Only federal funds may be used.

Further, expenditures and disbursements for public communications that refer to a clearly identified candidate for Federal office and that promote, support, attack or oppose any candidate for Federal office, meet the definition of Federal Election Activity under 11 CFR §100.24 and should be disclosed on Schedule B for Line 30(b) along with the identity of the candidate(s). However, public communications that meet the definition of Federal Election Activity and that also contain express advocacy as defined under 11 CFR §100.22, would constitute an in-kind contribution, an independent expenditure or a coordinated party expenditure and should be properly disclosed on a Schedule B, E or F supporting Lines 23, 24 or 25, as appropriate, rather than on Schedule B for Line 30(b). Please amend your report to properly disclose this activity.

If this activity was categorized incorrectly, the Commission recommends that you immediately transfer the funds received by your federal account for this activity back to the non-federal account. Although the Commission may take further legal action concerning this prohibited activity, your prompt action will be taken into consideration.

-Schedule H4 of your report discloses an apparent contribution to Arkansas Baptist College and American Diabetes Association. Please be advised that contributions and transfers to federal committees and/or non-federal committees/organizations do not qualify as shared expenses to be allocated between your federal and non-federal accounts. Transfers to affiliated committees should be disclosed on Schedule B supporting Line 22 of the Detailed Summary Page, contributions to federal committees should be disclosed on a Schedule B supporting Line 23 of the Detailed Summary Page and contributions to non-federal committees/organizations on a separate Schedule B supporting Line 29. Any reimbursement from your committee's non-federal account for any portion of this contribution(s) is not permissible. 11 CFR §102.5(a)(1)(i)

The Commission recommends that you immediately transfer the funds received by your federal account, as reimbursement for the non-federal portion, back to your non-federal account. Although the Commission may take further legal action concerning this prohibited activity, your prompt action will be taken into consideration.

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-Schedule H4 of your report discloses apparent interest payments for what appears to be a loan owed by your federal account. Please be advised that by definition, interest payments for a loan owed by your federal account would not qualify as a shared expense to be allocated between your federal and non-federal accounts. This activity should be itemized on a Schedule B for Line 21(b). Any reimbursement from your committee's non-federal account for any portion of these payments is not permissible. 11 CFR §102.5(a)(1)(i).

The Commission recommends that you immediately transfer the funds received by your federal account, as reimbursement for the non-federal portion, back to your non-federal account. Although the Commission may take further legal action concerning this activity, your prompt action will be taken into consideration.

-The loan schedule (Schedule C) should disclose the following information: the name and mailing address of the person making or receiving the loan, original amount, cumulative payment, outstanding balance, date incurred, date due, and interest rate for all loans that your committee has received. Please amend Schedule C by providing the date due. 11 CFR §§104.3(d) and 104.11(a)

-Your report discloses a loan from a lending institution; however, you have not submitted a Schedule C-1 (copy attached) and a copy of the loan agreement. As an electronic filer, you must submit the Schedule C-1 electronically without the original signature from the lending institution. In addition, you must mail a copy of the loan agreement and a separate copy of the Schedule C-1 that contains the original signature from the lending institution. Please submit the missing documents. (11 CFR §§104.3(d)(2) and 104.18(h))

**Unlike previous election cycles, you will not receive an additional notice from the Commission on this matter.** Adequate responses received on or before this date will be taken into consideration in determining whether audit action will be initiated. **Requests for extensions of time in which to respond will not be considered.** Failure to provide an adequate response by this date may result in an audit of the committee. Failure to comply with the provisions of the Act may also result in an enforcement action against the committee. Any response submitted by your committee will be placed on the public record and will be considered by the Commission prior to taking enforcement action.

Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended.

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If you should have any questions regarding this matter or wish to verify the adequacy of your response, please contact me on our toll-free number (800) 424-9530 (at the prompt press 1, then press 2 to reach the Reports Analysis Division) or my local number (202) 694-1157.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brandy Phillips", with a long, sweeping horizontal line extending to the right.

Brandy Phillips

Senior Campaign Finance Analyst  
Reports Analysis Division

**SCHEDULE C-1 (FEC Form 3X)****LOANS AND LINES OF CREDIT FROM LENDING INSTITUTIONS**Supplementary for  
information found on  
Page \_\_\_\_ of Schedule C

Federal Election Commission, Washington, D.C. 20463

NAME OF COMMITTEE (In Full)		FEC IDENTIFICATION NUMBER <b>C</b>	
LENDING INSTITUTION (LENDER) Full Name		Amount of Loan  Interest Rate (APR)  %	
Mailing Address		Date Incurred or Established ____/____/____	
City State Zip Code		Date Due ____/____/____	
A. Has loan been restructured? <input type="checkbox"/> No <input type="checkbox"/> Yes If yes, date originally incurred: ____/____/____			
B. If line of credit, Amount of this Draw: ____ Total Outstanding Balance: ____			
C. Are other parties secondarily liable for the debt incurred? <input type="checkbox"/> No <input type="checkbox"/> Yes (Endorsers and guarantors must be reported on Schedule C.)			
D. Are any of the following pledged as collateral for the loan: real estate, personal property, goods, negotiable instruments, certificates of deposit, chattel papers, stocks, accounts receivable, cash on deposit, or other similar traditional collateral? <input type="checkbox"/> No <input type="checkbox"/> Yes If yes, specify: _____		What is the value of this collateral?  Does the lender have a perfected security interest in it? <input type="checkbox"/> No <input type="checkbox"/> Yes	
E. Are any future contributions or future receipts of interest income, pledged as collateral for the loan? <input type="checkbox"/> No <input type="checkbox"/> Yes If yes, specify: _____		What is the estimated value?  A depository account must be established pursuant to 11 CFR 100.82(e)(2) and 100.142(c)(2). Date account established: ____/____/____ Location of account: _____ Address: _____ City, State, Zip: _____	
F. If neither of the types of collateral described above was pledged for this loan, or if the amount pledged does not equal or exceed the loan amount, state the basis upon which this loan was made and the means on which it assures repayment.			
G. COMMITTEE TREASURER Typed Name _____ Signature _____		DATE ____/____/____	
H. Attach a signed copy of the loan agreement.			
I. TO BE SIGNED BY THE LENDING INSTITUTION: i. To the best of this institution's knowledge, the terms of the loan and other information regarding the extension of the loan are accurate as stated above. ii. The loan was made on terms and conditions (including interest rate), no more favorable at the time than those imposed for similar extensions of credit to other borrowers of comparable credit worthiness. iii. This institution is aware of the requirement that a loan must be made on a basis which assures repayment, and has complied with the requirements set forth at 11 CFR 100.82 and 100.142 in making this loan.			
AUTHORIZED REPRESENTATIVE Typed Name _____ Signature _____		DATE ____/____/____	
Title _____			

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